

Report title

Internal Audit – Draft Annual Plan for 2021/22

Report to	Date
Corporate Services Directorate Board	30 March 2021
Transformation Directorate Board	6 April 2021
Operational Delivery Directorate Board	21 April 2021
People Directorate Board	22 April 2021
Commissioner's Board	5 May 2021
Audit Committee	24 May 2021
London Fire Commissioner	

Report by	Report number
Head of Audit and Assurance	LFC-0523

Protective marking: **NOT PROTECTIVELY MARKED**

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I agree the recommended decision below.



Andy Roe
London Fire Commissioner

Date **This decision was remotely signed on 10 June 2021**

Summary

The LFC's Financial Regulation at paragraph 13(m) (Internal Audit) requires the draft annual audit plan to be approved by the Commissioner. This report contains the draft Internal Audit annual plan for 2021/22 and is submitted in compliance the aforementioned internal regulation. The Internal Audit Charter, setting out our purpose, authority and responsibilities is also attached for reference.

The plan is produced by the Internal Audit Service which is being delivered by the Mayor's Office for Policing and Crime (MOPAC) under the shared service arrangements that were formalised in November 2012. The report proposes a risk-based approach, in line with the Public Sector Internal Audit Standards (PSIAS), using Internal Audit's and management's assessment of risk, focused on reviewing areas that are key to achieving LFB objectives and priorities. The content of the plan is designed to meet the statutory requirement for an annual opinion on the adequacy and effectiveness of the risk and internal control environment. The plan recognises this is a time of significant change for the Brigade with an ongoing demand to improve efficiency and achieve better value for money

whilst responding to the challenges of transforming the way the LFB serves and protects Londoners. Internal Audit will therefore report on opportunities for improving efficiency and value for money in all aspects of its work and will look to provide assurance and advice on the developing transformation agenda in addition to business as usual activity.

Recommended decision

That the London Fire Commissioner:

1. Approves the proposed Internal Audit Annual Plan for 2021/22 as set out in Appendix A.

Introduction

1. The statutory finance officer is required to submit a report (a) detailing planned Internal Audit activities for the year ahead and (b) within six months of the close of the previous year reviewing that year's activities. This report is submitted in accordance with the first part of this requirement in that it provides the LFC with planned Internal Audit activities for 2021/22.
2. The Financial Regulations, at paragraph 13(m), states the draft audit plan must be approved by the LFC following discussion and agreement at the Directorate Boards.
3. MOPAC is responsible for the provision of Internal Audit Services to LFB as part of a full shared service arrangement that was agreed by the respective bodies (MOPAC and LFC's predecessor LFEPA) in November 2012. These arrangements commenced on 1 November 2012 formalising the interim arrangements, for the management of the LFB Internal Audit Service that had been in place since September 2011.
4. The use of a risk-based approach for the annual plan is in line with current best practice and reflects the current level of risk maturity within the LFB. This approach includes providing assurance on the management and reporting of key risk and control processes and also on the effectiveness of the Risk Management Framework. This is supplemented by our own assessment of the challenges facing the Brigade as described in the corporate London Safety Plan and Transformation Delivery Plan. The draft Internal Audit Annual Plan for 2021/22 is attached as **Appendix A**.

Background

5. The need for an Internal Audit service is laid down in the Accounts and Audit (England) Regulations 2015, and the requirement for securing proper financial administration is set out in Section 127 of the Greater London Authority Act 1999. New governance arrangements were introduced in April 2018 including the creation of a London Fire Commissioner (LFC) as a Corporation Sole and a Deputy Mayor for Fire and Resilience. Responsibility for agreeing and monitoring completion of this plan now rests with the LFC who discharges this responsibility via the Commissioner's Board. These governance arrangements continue to develop as part of transformation delivery with an Audit Committee now providing independent oversight and helping the LFC to discharge their responsibilities in line with recognised best practice.
6. Current best practice recommends the use of a 'Three Lines' model to help clarify roles and responsibilities for assurance provision. The first line is essentially the functions that own and

manage risks. This includes the everyday supervisory activities exercised by line or operational managers. The second line oversees risk and typically comprises both risk management and compliance type functions that monitor the effectiveness of first line activity. Internal Audit have responsibility under this model for providing independent assurance as a key part of the third line. External Audit is also part of the third line. This independence assists Internal Audit to objectively examine, evaluate and report on the adequacy of management's arrangements for risk management, internal control and governance as a contribution to the proper, economic, efficient and effective use of resources. The work of Internal Audit is carried out in accordance with the Public Sector Internal Audit Standards, which have been drawn up by the Chartered Institute of Internal Audit (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

7. Regulation 4 of the Accounts and Audit Regulations 2015 requires that 'the relevant body (*i.e. the LFC*) is responsible for ensuring that the body has a sound system of internal control which includes effective arrangements for the management of risk.' The LFC is also required to review the internal control systems at least once a year and make a formal disclosure statement on the adequacy of internal controls.
8. Under the Greater London Authority Act 1999 Act the LFC must make arrangements for the proper administration of its financial affairs and its Chief Finance Officer (the Director of Corporate Services) has responsibility for the administration of those affairs. Further, it must make arrangements to secure continuous improvement in carrying out these responsibilities, having regard to a combination of economy, efficiency and effectiveness.
9. Internal Audit therefore has a key role to play in assisting the Director of Corporate Services to fulfil the statutory roles required by legislation. Assurance will be provided to senior management on the control mechanisms that are in place to manage key risks to delivering LFB's agreed plans and objectives. The review activity is supported by management's evaluation of LFB's current risks. Completion of the plan will enable the Head of Audit and Assurance to provide an opinion on the effectiveness of the control environment, which in turn will inform the Annual Governance Statement published with the Annual Accounts.

Progress on the 2020/21 Plan

10. The current 2020/21 risk-based plan was developed using Internal Audit and managements' assessment of risk and focused upon reviewing areas that are key to achieving LFB objectives and priorities. This plan maintained coverage at 773 days, including work to complete the reviews that commenced in quarter 4 of the 2019/20 financial year. It is anticipated that with the exception of audits deferred by request (which have been replaced by other work) 90% of all audits within the plan will have been completed or will be at draft report stage by year end, which for this year is extended until May 2021 to accommodate COVID delivery challenges in the early part of the year. Specific progress is reported separately in our quarterly updates.

Annual Plan for 2021/22

11. The following sets out the key elements of the proposed approach to the Internal Audit work programme for next year. The 2021/22 plan proposes an amendment in coverage to 728 days, a reduction of 45 days from the previous year. This takes into account the reduction in Internal Audit fees of £12k per annum included in the LFB Budget Submission and Internal Audit's increase in daily rate by £8 per day, the first increase since the 2018/19 annual audit plan. The fee for delivery of the 2021/22 plan is now £297,200. Increased use of technology with continued efficiencies in service delivery allows us to maintain an adequate level of audit

coverage although the effect of these proposals will be kept under review during the year as part of the usual monitoring regime.

12. The discrete areas included in the plan have been identified through the audit planning framework that includes consideration of the key risks facing the LFC and discussion with senior managers, Directorate Board leads and Heads of Service. Our plan is aligned to the four pillars in the LFB transformation plan to support the ongoing transformation agenda and is designed to be dynamic in nature to meet the fast-changing needs of the organisation. This provides flexibility during a time of fundamental change allowing us to be more responsive to emerging risks or the assurance needs of senior management. The level of assurance will not change but the precise nature and scope of individual reviews will be determined on a quarterly basis. Although this plan is aligned to the transformation delivery plan, we have also included business as usual activity to ensure the necessary level of assurance over all areas of strategic importance is provided. This approach is in line with best practice and reflects the current level of risk maturity within the organisation.

13. Our approach includes:

- a. Risk-based audits which will provide much of the evidence to support the annual opinion. These will report on the effectiveness of the controls in place to manage key risks to achieving objectives, providing assurance and identifying areas for improvement. The risk-based areas for 2021/22 have been selected following extensive consultation with senior management as detailed above.
- b. Follow-up reviews – ensuring agreed audit actions from the audit reviews completed in 2020/21 are implemented effectively. This independent verification helps to confirm improvement in the risk and control environment and is in line with the Public Sector Internal Auditing Standards.
- c. An annual review of LFB risk management to comply with best practice. The outcome from this work helps to inform Internal Audit's view of the effectiveness of the risk management framework and their subsequent approach to planning audit work.
- d. ICT reviews utilising specialist skills (procured via the GLA framework), where appropriate, to evaluate the risks and identify any areas for improvement.
- e. Compliance type work where we look to provide assurance on the levels of compliance with LFB policies and procedures, or on the accuracy and/or completeness of recorded data. This work is usually performed in response to a specific management request.
- f. Station reviews which will combine compliance and risk based thematic activity. Although the work will focus on local delivery, corporate issues and recurring trends will be collated and reported separately.
- g. Material systems – reviewing key financial systems and testing key controls on an annual basis. This work will be driven by risk analysis and liaison with the External Auditor to ensure the appropriate level of coverage is achieved.
- h. Analytical analysis – the MOPAC's analytical team will interrogate and analyse key financial systems identifying potential areas of concern and providing assurance on the management

of high risk/ cost and sensitive areas. They will also manage the National Fraud Initiative exercise in liaison with the Cabinet Office who have responsibility for oversight.

- i. Fraud prevention work – risk awareness training/workshops will continue to be delivered to various departments and operational staff.
- j. Advising on change programmes and projects – during this time of significant change Internal Audit will provide advice to senior management on key change programmes and projects. Advice on the high risk and control issues for new and developing systems will be provided at an early stage in the process.
- k. Placing increased reliance on the work of other assurance providers, where their work is of an appropriate quality and can be used for assurance purposes, to reduce the need for detailed Internal Audit analysis in that particular control environment.
- l. Counter fraud activity – MOPAC's accredited counter fraud specialists who conduct investigations into fraud and abuse will be used should the need arise. In addition, analysis of the underlying risk and compliance issues that could lead to internal fraud will be undertaken to inform preventative action.

14. Appendix A, Table 1, provides LFC with the proposed plan for 2021/22. It sets out how the plan is designed to deliver the Internal Audit provision for the forthcoming year. This is an indicative plan which, in line with best practice, will be flexed during the year following discussion with management, to reflect emerging risks or changing risk profiles and/or business priorities. To facilitate this, some reviews are shown within the plan as 'scope to be determined' and it is our intention to agree the timing, nature and objectives of these reviews with the respective business leads prior to the commencement of each quarter. This allows us to adapt to the anticipated pace of change and to ensure we are able to provide appropriate assurance over the areas of strategic importance.

15. The first section, which is aligned to the four pillars, sets out the risk-based audit areas that will be reviewed including first time and follow up assurance activity. This approach, drawing on IIA and CIPFA best practice, includes generic areas such as training and governance and individual reviews within or across business areas. Although the focus remains on governance and transformation activity as the LFB continues to deliver its transformation agenda, our plan also includes key business as usual activities to provide holistic assurance across areas of strategic importance to the LFB.

16. The second section sets out the audit provision within specialist areas. This includes counter fraud work using our internal team of counter fraud professionals, key financial systems, data analytical work, compliance and thematic reviews and the risk management framework. The fraud analysis and awareness work will continue to build on work undertaken in previous years highlighting fraud prevention and detection. This section also sets out our provision for internal audit advisory work. The allocation will be used primarily to advise management as they develop systems and activities to support the transformation agenda. It also includes work around governance, the estates strategy and changes to a new finance system. To maintain audit independence and objectivity, in line with best practice, Internal Auditors providing risk and control advice in these areas will not undertake future assurance reviews in the same areas.

17. Appendix A, Table 2, details LFB's corporate risks. Links to LFB corporate risks are shown where appropriate to inform areas of potential audit scope, although the risk management system is currently subject to re-design which will include a review of those corporate risks currently on the risk register. Our proposed audit plan for 2021/22 includes coverage of both corporate and departmental risks, and there is a brief explanation alongside each proposed risk-based assurance review setting out why this area has been chosen. Assurance will continue to be provided over key material systems which will supplement the work undertaken by External Audit. Terms of Reference will be agreed with senior managers and the Head of Service for each area under review before the review commences and clearly defining the full scope. Once an audit review has been completed, the draft report containing our conclusions on the control framework will be produced and discussed with all relevant parties, with dates for implementation of agreed actions.
18. All final internal audit reports will be distributed to the Commissioner, Director(s) and Head(s) of Service (as appropriate) and External Audit, and also to the Transformation Directorate to provide independent assurance over the strategic risk mitigations covered by the review.
19. The Internal Audit service continues to be delivered using the collective knowledge, skills and experience available under the shared service arrangement. This has raised awareness of the Internal Audit function throughout the LFB and has led to the greater involvement of senior managers in the audit process. It has also led to more in-depth discussion about both the focus of the audits and the agreed actions required. The risk-based approach provides assurance on the areas, functions and activities that are working well within the LFB, but also highlights some issues that require management action to mitigate the risks identified. This allows prompt action to be taken to address the risk and control issues that are highlighted and is a key component of an effective governance framework. The Internal Audit Charter setting out how we deliver our services and comply with the PSIAS is attached at Appendix B.
20. The plan covers a broad range of operational and specialist areas and whilst Internal Auditors do not have the detailed knowledge of someone working in these areas, they are able to apply their professional knowledge of risk and control to any process or framework. They look for assurance that the controls established by management are appropriate and proportionate to manage the risks. It is not in their remit to question operational decision making but they look to provide assurance that suitably skilled and experienced managers make those decisions using accurate and up to date information.

LFB's Strategic Objectives

21. This report presents Internal Audit's plan for 2021/22 and discharges the requirement under the Financial Regulations, paragraph 13, to report this to the LFC before the commencement of the new financial year. In addition, the audits set out in the plan are intended to help the LFB to achieve its strategic aims and objectives by evaluating and improving the effectiveness of risk management, internal control and governance processes.

Finance comments

22. This report sets out the draft 2021/22 annual audit plan for the LFC. The plan proposes a total coverage of 728 days at a total cost of £297,200 which will be contained within approved 2021/22 budget for this service. The fee includes the impact of a £12k saving in the cost of the service, as set out in the 2021/22 Budget Report.

23. Under the Accounts and Audit Regulations 2015, a local authority must ensure it has a sound system of internal control which:
- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - ensures that the financial and operational management of the Brigade is effective; and
 - includes effective arrangements for the management of risk.
24. In carrying out their duties Internal Audit plays a key role against regulation 5 in helping management to discharge their responsibilities by evaluating the effectiveness of internal control, risk management and governance processes.
25. The Internal Audit arrangements are carried out under a shared service arrangement with MOPAC and the audit reviews are agreed as part of the annual audit plan and managed within the approved budget.

Workforce comments

26. There are no workforce related issues associated with this report.

General Counsel's comments

27. The report seeks approval of the Internal Audit Annual Plan 2021/22 attached at Appendix A.
28. Section 5 of the Audit and Accounts Regulations 2015 sets out the London Fire Commissioner's obligations (as a 'relevant authority') to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
29. Under an agreement dated 26 November 2012 the Mayor's Office for Policing and Crime discharges of functions in respect of Internal audit functions by on behalf of the Commissioner.
30. The Financial Regulations under part 6 of the Scheme of Governance sets out the functions to be performed by the internal audit team. In particular, paragraph 13(m) of the Financial Regulations requires the Director of Corporate Services agrees the draft audit plan prior to the approval by the Commissioner.
31. This report attaching the draft annual internal audit plan is provided in accordance with the aforementioned legislative and governance requirements and falls within the Commissioner's powers.

Sustainability implications

32. There are no sustainability implications associated with this report.

Equalities implications

33. This report has The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.

34. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
35. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, Sexual orientation.
36. The Public Sector Equality Duty requires us, in the exercise of all our functions (i.e. everything we do), to have due regard to the need to:
- (a) eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) advance equality of opportunity between people who share a relevant protected characteristic and person who do not share it.
 - (c) foster good relations between people who share a relevant protected characteristic and persons who do not share it.
37. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
38. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
39. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to
- (a) tackle prejudice, and
 - (b) promote understanding.
40. An Equality Impact Assessment (EIA) has not been undertaken.
41. An EIA was not required because this is the presentation of the draft annual plan for work to be undertaken by Internal Audit during 2020/21 which does not directly impact staff.

List of Appendices

Appendix	Title	Protective Marking
A.	Draft Annual Plan for 2021/22	Not protectively marked
B.	Internal Audit Charter	Not protectively marked

Section 1					
Risk-Based Assurance Reviews					
Pillar 1 - The best people and the best place to work					
Audit Title	Summary Explanation for Area of Review	Business Lead	Proposed Quarter	Link to Corp Risks	Total Days
Health and Safety - Wellbeing	<p>Review of the framework in place to support staff wellbeing, could include:</p> <ul style="list-style-type: none"> • Framework supporting Reasonable adjustments • Psychological screening programmes 	People Services	Q1	CRR20 CRR23	25
Leadership Programme – Delivery Outcomes	Reviewing the effectiveness of the framework supporting delivery outcomes – including measurement, reporting and oversight.	People Services	Q4		18
Togetherness Strategy	Review of implementation and delivery of the strategy, including the mechanisms for monitoring the achievement of expected outcomes.	People Services	Q2	CRR8	18
Training Assurance	<p>Scope to be agreed during the year taking into account the work undertaken as part of the Independent Workplan, but could include:</p> <ul style="list-style-type: none"> • Assurance on the framework in place to ensure operational training delivers desired outcomes • Effectiveness of the programme in delivering objectives and outcomes following the roll out of DaMOP phase two (Post Implementation Review) 	To be determined	Q4 Q3	CRR32 CRR34	40
Pillar 1 Total					101

Section 1					
Risk-Based Assurance Reviews					
Pillar 2 - Seizing the Future					
Audit Title	Summary Explanation for Area of Review	Business Lead	Proposed Quarter	Link to Corp Risks	Total Days
Business Assurance Framework	Review of the framework supporting the provision of effective assurance over the management of key risks and core activities.	Transformation Directorate	Q4		18
Communications Strategies	Review of the framework in place to support effective communications.	Communications	Q1		14
Governance Framework	Programme of reviews looking at different areas; could include: <ul style="list-style-type: none"> • decision making, • board interdependencies, • information flows. 	General Counsel	Q2		22
ICT Reviews	Scope to be agreed during the year but could include: <ul style="list-style-type: none"> • Use of non-approved cloud-based services for Brigade data (Shadow IT) • Framework in place to support data management and GDPR compliance 	Information and Communication Technology	Q1 Q3		40
Pillar 2 Total					94
Total CF					195

Section 1					
Risk-Based Assurance Reviews					
Pillar 3 - Delivering Excellence					
Audit Title	Summary Explanation for Area of Review	Business Lead	Proposed Quarter	Link to Corp Risks	Total Days
Control Implementation Plan Outcomes	Review of the effectiveness of the Control Implementation Plan in delivering desired outcomes, including review of the effectiveness of the DaMOP training programme.	Brigade Control	Q4		36
Management of Home Office Grants	Assurance around the evidence to support grant funding received from the Home Office.	Finance	Q2		20
Incident Command	Scope to be agreed with management during the year.	Operational Policy	Q1	CRR32 CRR33 CRR34	20
Portfolio and Project Management	Review the effectiveness of the framework developed by management to prioritise, co-ordinate and control change initiatives/projects to deliver agreed outcomes and optimise strategic benefits.	Transformation Directorate	Q4	CRR24	20
Transformation Assurance	Assurance around the framework established to support the implementation of actions in the Transformation Delivery Plan.	Transformation Directorate	Q2	CRR24	20
Pillar 3 Total					116
Total CF					311

Section 1					
Risk-Based Assurance Reviews					
Pillar 4 - Outward facing					
Audit Title	Summary Explanation for Area of Review	Business Lead	Proposed Quarter	Link to Corp Risks	Total Days
Community Engagement	Scope to be agreed with management during the year, but could include a review of the ethical framework to establish the degree to which it helps to foster public trust and confidence.	Communications	Q1	CRR35	18
NILO Governance Arrangements	Review of the effectiveness of the framework in place to support the National Inter-Agency Liaison Framework.	Operational Resilience and Special Operations	Q2		18
Pillar 4 Total					36
Total CF					347

Section 1	
Follow Up Reviews	
Audit Title	Total Days
<p>Follow up of the previous reviews to verify the status of agreed actions. To include, but not limited to:</p> <ul style="list-style-type: none"> • Academic Sponsorship • Contract Management • Digital Transformation • Digital Transformation – Corporate Issues • Follow Up of Delegate Throughput for Babcock Training • Follow Up of Driving on Brigade Business • Follow Up of Operational Policy – External Relations • Follow Up of Road Safety Act 2016 • Key Financial Systems – Accounts Receivable • Key Financial Systems – Budgetary Control • Key Financial Systems – Cash and Bank • Key Financial Systems – Payroll and Pensions • Outreach Programmes – Safety Mobilisation Centre • Social Media • Thematic Review of Discipline at Fire Stations 	75
Follow Up Total	75
Section 1 Total	422

Section 2			
Specialist Work Programme, including: Counter Fraud Activity, Data Analytics, Advisory Work, Compliance, Thematic and Cyclical Reviews			
Activity Type	Outline Description of Activity	Proposed Quarter	Total Days
Advisory Work Programme	<p>Internal Audit will provide advice and assistance on change programmes and projects. By its very nature, this is a dynamic environment and the scope of this work will be determined during the year but could include:</p> <ul style="list-style-type: none"> • Assurance Framework • Building Consultation Hub • Finance Systems • Governance Arrangements • Contract Management • Estate Strategy Development • Development of Community Risk Management Plan 	Ongoing	65
Counter Fraud Activity	<p>A range of work including prevention, awareness, detection and investigation activity. This will include:</p> <ul style="list-style-type: none"> • A scheduled programme of fraud awareness workshops. • National Fraud Initiative (NFI) programme • A data analytical programme using specialist software to interrogate and match large volumes of data. • Counter Fraud Investigations 	Ongoing	53
Environmental Management Systems	Annual review to support compliance to the ISO 14001 certification	Q1	10
Key Financial Systems	Cyclical review of the Brigades Key Financial Systems, using data analytics where possible	Q3/4	45
Risk Management	Annual review of risk management – scope to be agreed during the year	Q3	18
Thematic Reviews	Annual reviews of cross cutting themes at fire stations – scope to be agreed during the year	Q2/3	36
Audit Planning, Reporting and Client Liaison	N/A	Ongoing	60

Liaison with other Assurance Providers including Health and Safety and Sustainable Development Teams	Assessing the methodology of other assurance providers to determine the degree of reliance that can be placed on their work. This reduces possible duplication and improves the co-ordination of activity.	Ongoing	5
Contingency	This contingency is used where necessary to supplement planned audit work if circumstances arise that require further audit coverage or assurance in high risk areas including within the key material systems.	N/A	14
Section 2 total			306
Cumulative Total			728

Appendix A (Table 2)

Ref	Risk Description
CRR1	Death or serious injury occurs as a result of our staff not operating a safe system of work
CRR7	Failure of a significant contractual relationship impacts on the delivery of services
CRR8	The actions arising from the inclusion strategy fail to deliver a more diverse workplace
CRR10	The current environment doesn't support effective planning to meet the budget gap forecast in 2022/23
CRR13	A breakdown in industrial relations affect our ability to deliver the service
CRR18	The ongoing asymmetric terror threat to London and the UK potentially exposes a level of vulnerability which could result in increased levels of risk
CRR19	Complete failure of the Brigade's mobilising system for periods over 24 hours in duration
CRR20	The Grenfell inquiry process impacts on staff/ officer wellbeing resulting in an increase in officers unavailable for key roles and reducing the resilience of the service
CRR21	The Brigade's Adult Safeguarding Framework does not support effective and efficient referrals to appropriate agencies to adequately support the needs of vulnerable people
CRR22	Brigade ICT services are affected by a cyber attack
CRR23	Staff do not get support for mental health problems which negatively affects individual wellbeing and organisational effectiveness
CRR24	Our capacity to deliver change is exceeded meaning that benefits are not fully delivered
CRR25	The long-term impact of the coronavirus pandemic affects the Brigade's capability and capacity
CRR27	The resilience of the Brigade is impacted by a series of large scale major incidents, potentially terror related
CRR29	The Grenfell Tower Fire Public Inquiry results in conclusions about Brigade policies or actions which reduce staff/ public confidence and/ or public safety
CRR30	High sickness levels result in a reduction in operational resilience
CRR32	Newly commissioned training requirements are not accurately planned, specified, or evaluated
CRR33	The training provider is unable to provide effective and efficient training to deliver the Brigade's needs
CRR34	Non contracted training provision does not effectively and efficiently secure maintenance of skills

Appendix A (Table 2)

CRR35	The United Kingdom leaves the European Union causing disruptions to communities, infrastructure or costs sufficient to challenge LFB service delivery through disruptions to services, suppliers, or by demand increases
CRR36	Brigade Control training and quality assurance processes are currently not subjected to external scrutiny or rigour, which leaves the Brigade open to challenges about the competency of its Control officers



INTERNAL AUDIT CHARTER

Introduction

The Directorate of Audit, Risk and Assurance (DARA), as part of the Mayor's Office for Policing and Crime (MOPAC) provides the internal audit service for the London Fire Brigade (LFB) under a shared service agreement which has been effective since 2012.

This Charter defines Internal Audit's mission, purpose, authority, responsibility and scope of activity, and sets out DARA's position within the LFB. It explains the nature of the Director of Audit, Risk and Assurance's reporting relationship with those charged with governance i.e. the London Fire Commissioner (LFC). It also covers engagement with the Commissioner's Board which has replaced the Governance, Performance and Audit Committee (GPAC) and the Director's Boards.

DARA follow the International Professional Practices Framework (IPPF) which helps to influence and direct its role within the LFB. It is a globally recognised framework providing authoritative guidance for the professional practice of internal auditing. This guidance forms the basis of the Public Sector Internal Audit Standards (PSIAS).



International Professional
Practices Framework



Mission Statement

Internal Audit aims to enhance and protect organisation value by providing risk based and objective assurance, advice and insight.

DARA Core Principles

- Demonstrating integrity, competence and due professional care
- Being objective and free from undue influence
- Aligning audit work with the strategies, policies and risks of the organisations we audit
- Being appropriately positioned and adequately resourced
- Demonstrating quality and continuous improvement
- Communicating effectively
- Providing risk based assurance to all our clients.

Definition and Purpose of Internal Audit

'Internal audit is an independent and objective assurance and consulting activity designed to add value and improve activities and operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes'.¹

DARA as the internal auditor is an independent source of assurance to the LFB. It has an importance role in helping the LFB to demonstrate the highest standards of corporate governance, public accountability and transparency in the conduct of their business.

The work of DARA adds value to the LFB and its stakeholders in providing objective and relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control process in accordance with the Public Sector Internal Audit Standards.

Responsibility of Internal Audit

The Director of Audit, Risk and Assurance, as Head of Internal Audit, has a statutory responsibility to give an annual opinion on the effectiveness of the LFB risk management, internal control and governance framework. The Head of Audit for LFB acts under delegated authority from the Director to provide that opinion. The audit approach is based on supporting the delivery of the London Safety Plan, giving assurance that key risks to the achievement of strategic priorities and outcomes are properly identified and effectively managed, and that resources are appropriately utilised.

Statutory Authority

Regulation 3 of the 2015 Accounts and Audit Regulations requires the Fire Commissioner to ensure there is a sound system of internal control, which facilitates the effective exercise of their functions and the achievement of their aims and objectives, ensures that the financial and operational management is effective, and includes effective arrangements for the management of risk. The LFB are required to review, at least once a year, the effectiveness of their internal control systems for

¹ C Chartered Institute of Internal Auditors

inclusion in their annual governance statement, which are informed by the work of DARA and the annual opinion of the Head of Audit acting on behalf of the Director of Audit Risk and Assurance.

Regulation 5 of the 2015 Accounts and Audit Regulations requires the London Fire Commissioner, as a corporation sole, to undertake an effective internal audit to evaluate the effectiveness of the risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The work of Internal Audit supports the statutory role of the LFB Director of Corporate Services and Monitoring Officer in the discharge of their statutory responsibilities.

DARA has access to records, assets, personnel and premises and the authority to obtain such information and/or explanations that it considers necessary to fulfil its statutory responsibility (access also extends to partner bodies or external contractors). This is recognised and endorsed within the LFB Financial Regulations, which give DARA the necessary authority.

Professional Standards and Codes of Ethics

DARA's internal auditors follow professional standards. These include the International Standards from the Global Institute of Internal Auditors (IIA), which form part of the IPPF, and the Public Sector Internal Audit Standards (PSIAS).

The IPPF consists of mandatory guidance and recommended best practice. The mandatory elements, which form the basis of the PSIAS, include:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing (Standards)

The Code of Ethics based on the core principles of integrity, objectivity, confidentiality and competence are supported by rules of conduct to direct the behaviour of internal auditors. The Head of Audit reports any areas of non-compliance with these standards within her annual report.

Independence and Objectivity

The requirement for the independence of internal audit is specified in the CIIA Standards, IPPF and PSIAS. Internal audit activity must be independent i.e. is objective and free from undue influence. Internal Auditors must exhibit the highest level of objectivity and make balanced assessments ensuring they are not unduly influenced by their own interests or by others in forming judgements. In meeting these standards;

The Head of Audit on behalf of the Director of Audit, Risk and Assurance:

- Has direct and unrestricted access to the London Fire Commissioner (LFC) as the corporation sole and fire and rescue authority for London.
- Reports at a senior level within LFB allowing DARA to fulfil its responsibilities.
- Communicates and interacts directly with the Commissioner's Board and Directors' Boards.
- Is responsible for producing the DARA annual work programme based on an assessment of risks to the achievement of LFB objectives. The plan must take into account the requirement to produce an annual internal audit opinion.
- Is free to determine the scope of internal auditing, perform audit activity and communicate results.
- Discloses to an appropriate party any conflict of interest that could impair their objectivity.
- Ensures assignments for audit responsibilities are rotated periodically within the DARA team.
- Confirms annually the organisational independence of DARA.

DARA staff:

- Provide an annual declaration of any actual or potential conflicts of interest that might compromise their objectivity in the conduct of particular audits.
- Make a declaration if such a conflict of interest is identified in the course of any piece of audit or consultancy work.
- Provide advice but cannot assume management responsibility for decision making.
- Provide consultancy services but cannot give assurance on areas where they have previously undertaken consultancy work.
- Cannot provide assurance or services to areas they were previously responsible for.
- Do not conduct work in an area if a personal conflict of interest is identified.

Reporting Arrangements

The Head of Audit reports to both senior management and the LFC under her own name, although the Director of Audit Risk and Assurance has ultimate authority for the content and conclusions of audit reports which are issued. The Head of Audit reports periodically on DARA's purpose, authority and responsibility and regularly reports on:

- Significant risk exposures and control issues, including fraud risks and governance issues and any emerging themes or trends.
- The adequacy and effectiveness of the control framework.
- Progress against the annual internal audit plan, which is subject to change, is approved GPAC.
- DARA service improvement activity.

The frequency and content of reporting is determined in discussion with senior management and LFC and depends upon the importance of the information and the urgency of related actions to be taken.

The distribution, retention and disclosure of reports and other information is discussed and agreed with the client and any disclosures required by law will be made where necessary.

Scope of Work

Internal Audit is a valuable asset in assisting the LFB in meeting its corporate responsibilities. An appropriate response to Internal Audit activity leads to the strengthening of the control environment, contributing to the achievement of strategic objectives, service improvement and changes. Key activity includes:

Governance

Assessing and agreeing appropriate actions for improving governance, including the arrangements for promoting appropriate ethics and values, ensuring effective performance management, communicating appropriate risk and control information and ensuring governance arrangements support LFB priorities and objectives.

Risk Management

Evaluating the effectiveness of and contributing to the improvement of risk management activities. This includes an assessment of whether significant risks to the achievement of agreed strategic priorities and objectives are identified, appropriate risk responses are selected that align to LFB risk appetite and whether there are suitable arrangements for monitoring , reporting and escalating risks.

Internal Control Framework

Reviewing the efficiency and effectiveness of the internal control framework and providing an assessment of the extent to which they manage the risks that may impact on the achievement of strategic objectives. In making this assessment DARA consider whether the controls established by management provide assurance on the:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programmes.
- Safeguarding of assets, resources, staff and information.
- Compliance with applicable laws, regulations, policies and procedures.

Fraud Related Work

Accountability for the prevention and detection of fraud and corruption rests with management and is a matter for all London Fire Brigade employees. The LFB also has responsibility for establishing appropriate counter fraud arrangements, which are subject to DARA review. DARA also provide assurance work on the management of relevant fraud risks within the corporate risk management framework.

A confidential reporting mechanism is available for employees and for members of the public. The Director of Corporate Services must be kept informed of any instances of suspected fraud or corruption. DARA counter fraud specialists investigate matters of internal fraud/irregularities relating to staff and contractors.

Consulting and Advisory Services

DARA, as the internal auditors, provide independent and objective advice to help management improve their risk management, control and governance arrangements in key areas of the business that are subject to significant change. Change management and control advice assists LFB in delivering value for money resulting in the more economic, effective and efficient use of resources.

Such advice and consultation work forms an important part of the audit plan and is achieved primarily through contact with portfolio/business leads as well as professional knowledge.

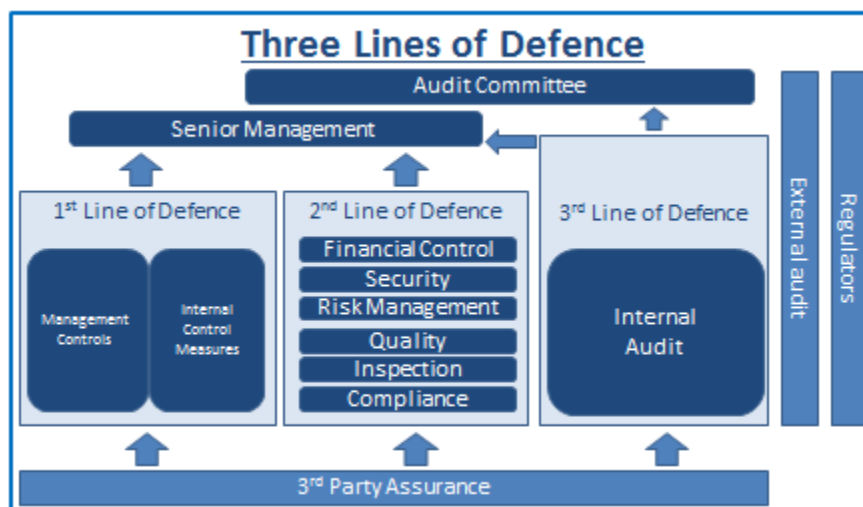
Resourcing

The Head of Audit on behalf of the Director of Audit Risk and Assurance informs the Fire Commissioner and her senior management team of DARA plans and resource requirements. The internal audit plan includes the impact of any resource limitations and significant actual or planned changes. It is developed based on a risk-based methodology, including input from senior management. The Director ensures resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Any material deviations from the plan are communicated to the Fire Commissioner and Directors through periodic activity reports.

High standards of competency and qualification are specified for all members of DARA. Professional competence is maintained through an appropriate on-going learning and professional development programme that incorporates Continuing Professional Development to meet professional standards.

LFB Assurance Framework

The Fire Commissioner and Directors can take assurance from a number of sources. The 'three lines of defence' model helps to understand where and how assurance is achieved:



First Line

The first line broadly covers management assurance which is day to day risk management activity, monitoring and performance management to establish that agreed targets and priorities are being met.

Second Line

This work is associated with oversight of management review activity. It is separate from those who have responsibility for delivery, but not independent of the internal management chain of command. This includes compliance assessments or reviews carried out to determine policy and key processes are being met in line with specific areas of risk.

Third Line

This relates to independent and more objective assurance and focuses on the role of MOPAC's DARA, which through an agreed programme of work is able to provide an objective opinion on governance, risk management and internal control.

Integrated Assurance

DARA can take assurance, where appropriate, from internal review activity and other independent assurance providers such as External Audit, HMICFRS and internal assurance functions. It is also responsible for reporting on the effectiveness of the assurance framework to senior management and the LFC.